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Southwestern Bell Corporation

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June 10, 1994

EX PARTE OR LATE FILED

CEDERAL COMMUNICATIONS COMMISSION

William A. Blase, Jr. Director Federal Regulatory Ex Parte

Mr. William F. Caton Acting Secretary Federal Communications Commission 1919 M Street, N.W., Room 222 Washington, D.C. 20554

Re: CC Docket No. 93-193, Investigation of 1993 Annual Access Filing

Dear Mr. Caton:

In accordance with Commission rules, please be advised that yesterday, Stephen Melnikoff and the undersigned representing Southwestern Bell met with James Coltharp of Commissioner Andrew Barrett's office regarding the docket listed above.

Attached is information provided in the meeting. Due to the fact that the meeting was held late on June 9 this letter is being filed a day late. If you have any questions, please let me know.

Sincerely,

William A. Blase fr.

Attachment

CC:

James Coltharp Ruth Milkman Kathleen Levitz Gregory Vogt Gary Phillips

1401 I Street, N.W. Suite 1100 Washington, D.C. 20005

No. of Copies rec'd______List A B C D E

Phone 202 326-8860

CC DOCKET NO. 93-193 INVESTIGATION OF 1993 ANNUAL ACCESS FILING

TIMING

FAIRNESS

- •\$730m IN NET EXOGENOUS REDUCTIONS
- PRICE CAP COMPANY RECOVERY
- RATE OF RETURN COMPANY RECOVERY
- STATE COMMISSION ACTIVITY

• CONTROL

- STANDARD IN PRICE CAP ORDERS
- STANDARD IN INVESTIGATION
- •UNION/FASB/WALL STREET POSITION
- TRACKING REPORT

DOUBLE COUNTING

- •GODWIN'S STUDY
- CONSERVATIVE CALCULATION
- INTERTEMPORAL DOUBLE COUNTING

FASB on Control:

"The Board has looked beyond the legal status of the promise to consider whether the liability is effectively binding on the employer because of past practices, social or moral obligations, or customs." [SFAS 106, para. 156]

The FASB concluded that an enterprise is obligated for these benefits unless it can avoid the future sacrifice at its discretion without significant penalty. The penalty to the employer need not be in the form of a reduction in the value of assets. "It could refuse to pay only by risking substantial employee-relations problems. As a practical matter, it is unlikely that an employer could terminate its existing obligation under a postretirement benefit plan without incurring some cost. Therefore, the Board concluded that in the absence of evidence to the contrary, an employer is presumed to have accepted responsibility to provide the promised benefits. Consequently, the accounting - is based on the presumption that the plan will continue and that benefits promised by the employer will be provided." [SFAS 106, para. 157]

Communications
Workers of America
AFL-CIO

VICTOR C. CRAWLEY, VICE PRESIDENT 2334 OLIVE STREET ST. LOUIS, MO 63103 314/421-2211 - 314/231-4990 FAX: 314/241-0213 DISTRICT 6 ARKANSAS, KANSAS, MISSOURI, OKLAHOMA, TEXAS



April 11, 1994

The Honorable Reed E. Hundt Chairman Federal Communications Commission 1919 M. Street, N.W. Washington, D.C. 20554

Dear Chairman Hundt:

Let me express my enthusiastic congratulations on your appointment to chair the Federal Communications Commission. With the ever increasing importance that telecommunications is playing in the development and expansion of this country's economic and technological infrastructure, the FCC will be at the center of the policy debate over the new telecommunications era. The Communications Workers of America (CWA) is most interested in working closely with the Commission on the development of a new telecommunications regulatory model which will help this country and people achieve their full capabilities.

In that regard, it is my belief that in a relatively short period of time, you will be considering an issue which has been before the Commission for two years, and is of significant importance to CWA members. The proceeding CC Docket No. 93-193 focuses on the appropriateness of Southwestern Bell Telephone Company and other price cap local exchange carriers (LECs) including Other Post-Employment Benefit (OPEB) costs in their interstate access rates. For your convenience, I have attached a copy of my previous correspondence which sets out my position on this matter (Attachment 1).

All of the filings which are responsive to FCC questions have been made and the record is complete. It is our position that the change in accounting for OPEBs should be clearly and finally defined by the FCC as an exogenous change and, therefore, permanently included in the interstate price cap indices for the LECs. In particular, the ability of Southwestern Bell Telephone Company to be allowed to recover the costs associated with post-retirement benefits is of the highest priority to my members. These are benefits that have been bargained for over the years, and the company must be allowed to have the ability to meet its commitment to the Union and its members.

The Honorable Reed E. Hundt April 11, 1994 Page Two

Should the Commission not allow OPEB recovery, I believe that the continued viability of these benefits, important to the security and job quality of our Union members, will be seriously threatened. Should circumstances make it necessary for the company to attempt to change these benefits during the term of the agreement or at the bargaining table, a strike and lawsuit would be the likely result.

To underscore the importance that I and my Union attach to this matter, I have included with this letter (Attachment 2) a copy of legislation which was just introduced in the Missouri House at CWA's request and with our strong support. The OPEB issue before the Missouri Public Service Commission was similar to that presently before the FCC--allowing the Telephone Company the ability to recover its OPEB costs and thus having the ability to meet its commitments to its present and retired employees. When the Missouri PSC essentially threatened the viability of our OPEB benefits, I and CWA could not idly stand by. CWA's legislation would reverse this inequitable Missouri situation.

When this issue comes before you, I hope that you will find that OPEBs clearly meet the FCC's exogenous cost definition and represent a price cap cost which must be allowed to be recovered through rates.

Again, congratulations. I look forward to working with you for the betterment of this Nation and its people.

Sincerely,

Victor C. Crawley Vice President

VCC/bjp Attachments

cc: Commissioner Quello Commissioner Barrett Representative Gephardt

FCC Secretary re: CC Docket No. 93-193 (Ex Parte)

Communications
Workers of America
AFL-CIO

VICTOR C. CRAWLEY, VICE PRESIDENT 2334 OLIVE STREET 97. LOUIS, MO 63103 314/421-2211-314/231-4990 FAX: 314/241-0213. DISTRICT 6 ARKANSAS, KAMSAS, MISSOURI, OKLAHOMA, TEXAS



June 18, 1993

The Honorable James Quello Chairman Federal Communications Commission 1919 M Street, N.W., Room 814 Washington, D.C. 20554

Dear Chairman Quello:

As the head of the Communications Workers of America (CWA) in the five states served by Southwestern Bell Telephone Company (SWBT), I would like to reemphasize the CMA's support of Southwestern Bell's July I access tariff which seeks to recover the costs associated with Other Post-Esployment Benefits (OPEB) as an exogenous item under the Price Cap Plan.

On June 3, I, along with Gary Lucas, the Company's bargaining chairman, met with your staff regarding the "control issue" related to OPEB. I stated my position that the Company has no unilateral control over these costs. I also pointed out that the CWA has bargained hard during numerous rounds of collective bargaining to ensure that all SWBT employees and retirees have available the current CustomCare Medical Plan. As I indicated on June 3, this Medical Plan is of such importance that the CWA has from time to time agreed to a lesser level of wages and pensions so as to retain that Plan as presently structured.

This issue has been studied and re-studied for quite a while. It is my strong belief that the time to resolve this matter is now. This is a significant issue for the Union, its active members, retirees and their families. We fully support the recovery for SWBT.

Sincerely

Victor C. Crawley / Vice President

VCC/kao

SECOND REGULAR SESSION

[PERFECTED WITH PERFECTING AMENDMENT]

HOUSE COMMITTEE SUBSTITUTE FOR

HOUSE BILL NO. 1405

87TH GENERAL ASSEMBLY

Reported from the Committee on Labor, Polemony 2, 1804 with recommendation that the Money Committee Substitute for Ropes MS No. 1405 De Fain.

Takes up for Perfection Petersary 24, 1884.

House Committee Substitute for Mosse Bill No. 1405 ordered Perfected and printed, as amended.

DOUGLAS W. BURNETT, Chief Clerk

2794-5

AN ACT

To repeal section 386.815, RSMo Supp. 1993, relating to the public service commission, and to enact in lieu thereof one new section relating to the same subject.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Section 386.315, R&Mo Supp. 1993, is

- 2 repealed and one new section enacted in lieu thereof, to
- 8 be known as section 386.315, to read as follows:

386.815. 1. In cetablishing public utility rates, the

- 2 commission shall not reduce or otherwise change any
- 3 wage rate, benefit, working condition, or other term or
- 4 condition of employment that is the subject of a collective
- 5 bargaining agreement between the public utility and a
- 6 labor organization, Additionally, the commission
- 7 shall not disallow or refuse to recognize the actual
- 8 level of expenses the utility is required by Financial
- 9 Accounting Standard 106 to record for post-
- 10 retirement employee benefits for all the utility's
- 11 employees, including retirees, if the assumptions

2

12 and estimates used by a public utility in determin-

13 ing the Financial Accounting Standard 106

14 expenses have been reviewed and approved by the

15 commission, and such review and approval shall

16 be based on sound actuarial principles.

2. A public utility which uses Financial Accounting Standard 106 shall be required to use an independent enternal funding mechanism that restricts disbursements only for qualified retiree benefits. In no event shall any funds remaining in each funding mechanism revert to the utility after all qualified benefits have been paid; rather, the funding mechanism shall include terms which require all funds to be used for employee or retiree benefits. This subsection shall not in any manner be construed to limit the authority of the commission to set rates for any service rendered or to be rendered that are just and reasonable pursuant to sections 302.340, 308.140 and 303.150, RSMo.

31 S. Any public utility which was the subject of 32 a rate proceeding resulting in the issuance of a 33 report and order subsequent to January 1, 1993, 34 and prior to the effective date of this section, 35 directing or permitting the establishment of new 36 rates by such utility, may file one set of tariffs 37 modifying its rates to reflect the revenue require-38 ment associated with the utility's expenses for 39 post-retirement employee benefits other than 40 pensions, as determined by Financial Accounting 41 Standard 106, including the utility's transition 42 benefit obligation, regardless of whether the 43 deferral or immediate expense recognition method.

H.C.S.H.B. 1405

3

44 was used, if such utility is funding the full extent 45 of its Financial Accounting Standard 106 obliga-46 tion at the time such tariffs are filed. The tariffs 47 shall reflect the samual level of expenses presented 48 by such utility in its last rate proceeding. The 49 commission may not suspend such tariffs to 50 examine any revenue requirement issues, but shall 51 use the Financial Accounting Standard 106 based 52 revenue requirement for post-retirement employee 53 benefits other than pensions, including the tran-54 cition benefit obligation, identified for each utility 55 in such prior proceeding. The commission may 56 suspend such tariffs for a period of time not to 57 exceed sixty days in order to address any rate 58 design issues associated with the utility's Pinan-59 cial Accounting Standard 106 based revenue 60 requirement.

Summary of Exogenous Adjustments 1991-93

The net effect of exogenous adjustments have been significant reductions in the LECs' price caps.

| Exogen | ous Cost Changes | 1991-93 Amount |
|--------|--|----------------------------|
| | e Deficiency Amortization .45(d)(1)(i) | (\$455M) |
| • | s in Accounting Rules * .45(d)(1)(ii) | \$199M |
| • | s in Separations Rules .45(d)(1)(iii) | (\$ 651 M) |
| • | s in LTS and TRS .45(d)(1)(iv) | \$106M |
| | ation of Regulated Investment .45(d)(1)(v) | (\$0.1M) |
| | w Changes .45(d)(1)(vi) | \$172M |
| | Extraordinary Cost Changes .45(d)(1)(vi) | \$65M |
| | Wire Amortization .45(d)(1)(viii) | (\$166M) |
| Total | | <u>(\$730M)</u> |

^{*} Exogenous treatment of SFAS-106, under an accounting order.